

# Lecture 10 Foreign Exchange Contracts: Swaps and Options

## Short Questions:

1. A trader enters into long put options on USD/INR exchange rate and paid an option premium of Rs. 0.125. The exercise price is INR 45.20. At what spot rate, the long position holder will exercise his put options and what exchange rate, the long put option holder will make profit.
2. What are zero cost derivatives and why a company would invest in these instruments?
3. Explain why forward/futures/option contracts are zero-sum game?
4. Foreign Currency swap contracts help companies to shift their liabilities from one currency to another currency? Give an example to justify the above statement?